

# BRITISH COLUMBIA

## Trade: Securing Canada's Future

### MORE JOBS FROM MORE TRADE

Canada is a trading nation. With only 25 million people, our domestic market is not large enough to absorb our production. Our prosperity everywhere depends on selling our goods and services in the international marketplace. Thirty per cent of our national income and 3 million jobs depend on trade.

The trading world is fiercely competitive and increasingly protectionist. It is dominated by big power blocs — the United States, Japan and the European Community. Canada is alone as a major trader without guaranteed access to a mega market. We are especially vulnerable.

It is crucial to maintain and expand our access to international markets. To this end the federal government, under Prime Minister Brian Mulroney, is pursuing a two-track national trade strategy.

### TWO SETS OF NEGOTIATIONS

Canada is actively participating in the new round of multilateral negotiations under the General Agreement on Tariffs and Trade. The GATT, whose 93 nations account for four-fifths of world trade, was formed in 1947. It has worked effectively to liberalize and increase world trade. Canada has benefited greatly, but GATT negotiations are long and complex.

To deal more expeditiously with the three-quarters of Canadian trade that is conducted with the United States, the government is conducting bilateral discussions with Washington. The goal is to enshrine in a comprehensive trade agreement the widest possible package of mutual reductions of barriers to trade in goods and services. These negotiations are of utmost importance to Canadians in every province.

### SECURE ACCESS TO U.S.

Our neighbour is our biggest customer, buying 77 per cent of our exports. More than 2 million jobs depend on trade with the U.S. But the Americans, facing a huge trade deficit, are mobilizing their forces to stop what they consider unfair competition and trading practices.

Canada has experienced the impact of these protectionist pressures. Many sectors of our economy have been hit both directly and indirectly. The need to preserve access to our largest market in a binding agreement is readily apparent.

Equally, free trade with the U.S. under a stable framework of rules and appropriate transition and adjustment assistance arrangements, offers us the opportunity of increased investment, economies of scale in production and improved competitiveness. Most studies project an agreement would result in more jobs, more secure jobs, better jobs. At the same time, free trade would bring a better selection of goods and services at lower prices to Canadian consumers and industries using imports in production.

### CLOSE CONSULTATION

The Prime Minister and Premiers meet every three months to review progress of the negotiations. International Trade Minister Pat Carney consults with provincial trade ministers. Provincial officials meet monthly in the Continuing Committee on Trade Negotiations, chaired by Canada's Chief Negotiator, Ambassador Simon Reisman.

Private sector input to both sets of negotiations flows from all provinces through the International Trade Advisory Committee and the Sectoral Advisory Groups on International Trade which report to Miss Carney.

### REGIONAL DEVELOPMENT

More economic expansion in the country's areas of slower growth is projected as a result of free trade with the U.S. Indeed, if an agreement can't be reached which benefits Canada and its regions, Canada won't sign it. In any event, self-determination in setting regional development policies and Canada's capacity to sustain regional development are not at issue in the trade talks.

Each province and territory is a trader. The prosperity of each depends in large measure on the successful conclusion of negotiations with the United States and, through the GATT, with the rest of the world.

### AN EXPORT ECONOMY

British Columbia, Canada's gateway to the Pacific, is a major exporter of goods to all parts of the world. It has a huge stake in the success of negotiations to secure wider and more assured access to the United States market.

In 1986, B.C.'s commodity exports totalled \$13.5 billion. Forest products accounted for 45 per cent. The province sent commodity exports worth some \$6.3 billion to American buyers.

Although the province is a large exporter of unfinished goods, the bounty of its rich natural resources, 70 per cent of its total commodity exports consist of fabricated materials and end products.

Crude and fabricated materials together account for over 80 per cent of commodity exports. The balance is made up of food, feed, beverages, tobacco and end products.

More than a quarter of B.C.'s labour force of 1.5 million is in managerial or professional occupations. Clerical, sales or service occupations account for 42 per cent. B.C.'s gross domestic product was almost \$50 billion in 1984.

B.C. industrialists are looking for new opportunities to build a more diversified manufacturing economy. To exploit the many export opportunities in the United States, assurance of access to that giant market is essential.

The B.C. government has been an ardent promoter of bilateral trade negotiations with the U.S. right from the beginning. The province has demonstrated its support at conferences of first ministers and federal-provincial meetings devoted to trade matters.

The private sector in B.C. has been highly supportive as well.

Success in the negotiations will provide a framework for a more stable trading environment which will encourage the growth and investment that B.C. needs. At the same time, consumers will benefit from lower prices, more diversified supplies, and higher incomes.

For all British Columbians, that is a goal worth pursuing.

### TRADE ISSUES

Most of B.C.'s exports to the U.S. already enter free of tariffs. The problem is not so much tariffs as non-tariff barriers, including countervail, quotas and safeguards, government procurement preferences, and technical regulations.

### Lumber

British Columbia's biggest problem with the United States market has been with its forest products exports. Twice in 1986 the giant B.C. forest industry, which accounts for more than half of Canada's total forestry production, was the target of American trade restrictions.

Early in the summer of 1986, President Reagan imposed a tariff of 35 per cent on imports of B.C. cedar shakes and shingles for the housing industry. In October, an interim ruling by the U.S. Commerce Department imposed a 15 per cent countervail duty on softwood lumber imports. A final ruling was averted only when Canada agreed to impose a 15 per cent export tax of its own on lumber shipped to the U.S. market.

The advantage of the agreement to Canada is that it keeps the tax revenue — some \$600 million annually — at home in Canada instead of paying it to the U.S. Treasury.

Proceeds of the tax will be redistributed among the lumber producing provinces, with B.C. receiving the largest share.

One aim of the current trade negotiations is to counter the threat of further restrictions in other trade sectors.

Other major resource industries would gain from the relaxation of U.S. countervail laws such as those used to penalize the softwood producers.

### Manufacturing

Manufacturing companies see new opportunities as well. They include makers of machinery and transportation equipment, ship and boat builders, metal fabricators and the electronics industry, which could achieve world-scale capability if U.S. tariffs and non-tariff barriers were lowered or removed.

At the same time, equal treatment with U.S. suppliers in government procurement could result in a substantial new market opening up for B.C. manufacturers in high technology, construction and transportation equipment.



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